CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

November 4, 2011

H.R. 704
Security and Fairness Enhancement for America Act of 2011

As ordered reported by the House Committee on the Judiciary on July 21, 2011

SUMMARY

H.R. 704 would eliminate the diversity visa program. Diversity visas go to people from countries that U.S. Citizenship and Immigration Services (USCIS) has determined have had low ratios of immigrants admitted under other sections of immigration law. Currently, 55,000 diversity visas are available each year. Eliminating the diversity visa program would lower the number of immigrants entering the country who would become legal permanent residents (LPRs) by about 460,000 during the 2012-2021 period, CBO estimates. That decline in the number of LPRs would decrease spending on needs-based and social-insurance programs and would reduce the fees collected from immigrants.

CBO estimates that enacting H.R. 704 would decrease direct spending by $1.3 billion and would decrease revenues by about $0.1 billion over the 2012-2021 period. In addition, CBO estimates implementing the bill would reduce discretionary spending by $30 million over the 2012-2021 period, assuming appropriations are reduced by the estimated amounts.

Because enacting the legislation would affect direct spending and revenues, pay-as-you-go procedures apply.

H.R. 704 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 704 is shown in the following table. The costs of this legislation fall within budget functions 150 (international affairs), 500 (education, training, employment, and social services), 550 (health), 570 (Medicare), 600 (income security), 650 (Social Security), and 750 (administration of justice).

	By Fiscal Year, in Millions of Dollars											
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012-2016	2012-2021
CHANGES IN DIRECT SPENDING												
On-Budget Changes												
Medicaid												
Estimated Budget Authority	0	-5	-18	-36	-55	-77	-114	-170	-231	-301	-114	-1,007
Estimated Outlays	0	-5	-18	-36	-55	-77	-114	-170	-231	-301	-114	-1,007
SNAP												
Estimated Budget Authority	0	-1	-4	-6	-8	-11	-22	-34	-47	-60	-19	-193
Estimated Outlays	0	-1	-4	-6	-8	-11	-22	-34	-47	-60	-19	-193
Pell Grants												
Estimated Budget Authority	0	*	-1	-1	-2	-2	-3	-3	-4	-4	-4	-20
Estimated Outlays	0	*	*	-1	-1	-2	-2	-3	-3	-4	-2	-16
Supplemental Security Income												
Estimated Budget Authority	0	*	*	*	-1	-1	-2	-3	-4	-5	-1	-16
Estimated Outlays	0	*	*	*	-1	-1	-2	-3	-4	-5	-1	-16
Medicare												
Estimated Budget Authority	0	0	0	0	0	*	-1	-1	-3	-5	0	-10
Estimated Outlays	0	0	0	0	0	*	-1	-1	-3	-5	0	-10
Subtotal-On-Budget Effects												
Estimated Budget Authority	0	-6	-23	-43	-66	-91	-142	-211	-289	-375	-138	-1,246
Estimated Outlays	0	-6	-22	-43	-65	-91	-141	-211	-288	-375	-136	-1,242
Off-Budget Changes												
Social Security												
Estimated Budget Authority	0	0	0	*	-1	-2	-5	-11	-25	-53	-1	-97
Estimated Outlays	0	0	0	*	-1	-2	-5	-11	-24	-50	-1	-93
Total Changes in Direct Spending												
Estimated Budget Authority	0	-6	-23	-43	-67	-93	-147	-222	-314	-428	-139	-1,343
Estimated Outlays	0	-6	-22	-43	-66	-93	-146	-222	-312	-425	-137	-1,335
CHANGES IN REVENUES												
Visa Fees	0	-15	-15	-15	-15	-15	-15	-15	-15	-15	-60	-135
NET INCREASE OR DECREASE (-) IN THE DEFICIT FROM CHANGES IN DIRECT SPENDING AND REVENUES												
Net Changes in Deficits	0	9	-7	-28	-51	-78	-131	-207	-297	-410	-77	-1,200
On-Budget Effects	0	9	-7	-28	-50	-76	-126	-196	-273	-360	-76	-1,107
Off-Budget Effects	0	0	0	*	-1	-2	-5	-11	-24	-50	-1	-93
CHANGES IN SPENDING SUBJECT TO APPROPRIATION												
Pell Grants[a]												
Estimated Authorization Level	0	-1	-3	-4	-6	-7	-9	0	0	0	-14	-30
Estimated Outlays	0	*	-1	-3	-5	-6	-8	-7	*	0	-9	-30

Notes: Components may not sum to totals due to rounding; SNAP = Supplemental Nutrition Assistance Program.; * = between -$500,000 and 0.

a. The Pell Grant program is currently authorized through 2018.

BASIS OF ESTIMATE

For this estimate, CBO assumes the bill will be enacted near the start of calendar year 2012 and that the restrictions on issuing new visas will affect anyone who had applied for the diversity lottery held in fiscal year 2012. Under current law, 55,000 visas are available each year under the diversity visa program. Since 1999, up to 5,000 of those have been reserved each year for unsuccessful seekers of asylum from countries such as El Salvador and Guatemala. Thus, the Department of State processes about 50,000 immigrant visas for natives of foreign states that USCIS determines have had a low ratio of immigrants admitted under other sections of immigration law.

The immigrants are selected randomly by the Secretary of State from among persons who have applied to a special lottery for the visas. Persons apply in one fiscal year for visas to be issued in the coming fiscal year. Applicants must meet minimum requirements for education or work experience and otherwise be eligible for immigrant visas as specified in the Immigration and Nationality Act. Those selected in the diversity lottery must obtain their visas by the end of the fiscal year covered by the lottery.

By eliminating the diversity visa lottery, CBO estimates that H.R. 704 would decrease the number of immigrants who become legal permanent residents by about 51,000 each year (not all persons selected immigrate to the United States within the period in which the visas are valid). Fewer legal permanent residents would, over time, lower the number of persons eligible for Medicaid, the Supplemental Nutrition Assistance Program (SNAP), and other needs-based and social-insurance programs. Because the first group affected by this bill would be those who would apply during fiscal year 2012 for arrival during fiscal year 2013, the effects would not begin until fiscal year 2013.

CBO estimates that under the bill, the number of LPRs will decline by about 460,000 over the 10-year period. A decline in LPRs would result in savings for many programs as detailed below.

Direct Spending

With the exception of Social Security, all of the budgetary effects are on-budget.

Medicaid. By decreasing the number of LPRs, enacting H.R. 704 would reduce the number of individuals who enroll in the Medicaid program. Under Medicaid law, immigrants entering the United States are not eligible to receive Medicaid coverage for five years after entering the country, except for emergency Medicaid. (Current law does allow those immigrants who are children or pregnant women that would otherwise qualify for Medicaid to obtain coverage at state option before they have been in the country for five years.) Some of those immigrants (mainly children, pregnant women, and some disabled people) qualify for Medicaid five years after they enter the United States. Under the bill, CBO estimates that by 2021 about 64,000 fewer people would receive Medicaid and that federal spending for Medicaid would decline by about $1 billion over the 2012-2021 period.

Supplemental Nutrition Assistance Program. Legal permanent residents who are adults and who meet the necessary qualifications are eligible for SNAP benefits after a five-year waiting period (those under the age of 18 who qualify are automatically eligible). Based on the estimated decline in LPRs and data from the Current Population Survey, CBO estimates that by 2021 about 40,000 fewer people would participate in SNAP. Accordingly, CBO estimates that enacting the bill would lower costs for SNAP by $193 million over the 2012-2021 period.

Pell Grants. As discussed below under the heading "Spending Subject to Appropriation," CBO projects that H.R. 704 would reduce the number of students eligible for Pell grants. Though most Pell grant funding is discretionary, CBO estimates enacting the bill would decrease direct spending by $16 million over the 2012-2021 period for the mandatory portion of the Pell Grant program. (The bill would have an insignificant effect on direct spending for student loans.)

Supplemental Security Income. Based on information from the Current Population Survey, CBO projects that under current law fewer than 100 immigrants affected by H.R. 704 would have naturalized and received Supplemental Security Income (SSI) benefits based on old age or disability during the 2012-2021 period. In addition, CBO expects that around 1 percent of the citizen-children who would have been born in the United States to those immigrants affected by H.R. 704 would have qualified for SSI as the result of birth defects or other severe disabilities. In total, CBO estimates that enacting H.R. 704 would reduce SSI outlays by $16 million over the 2012-2021 period.

Social Security and Medicare. Few of the individuals affected by H.R. 704 would have been able to work long enough to become eligible for Social Security retirement benefits or Medicare (based on age) within the 2012-2021 period under current law, but many could earn eligibility for Social Security Disability Insurance over that period. Based on information from the Current Population Survey, CBO projects that under the bill, about 1,200 fewer people would receive Social Security benefits (primarily for disability insurance) by 2021. Thus, CBO estimates that enacting H.R. 704 would reduce Social Security outlays by $93 million (which are off-budget) and Medicare outlays by $10 million (which are on-budget) over the 2012-2021 period.

Revenues and Offsetting Receipts

Applicants do not pay a fee for submitting an application to the Department of State for the diversity lottery. The visa-lottery winners must pay a $305 immigrant visa application processing fee. That visa fee is a revenue and is not available to be spent. CBO estimates that eliminating the diversity visa program would decrease revenues by about $15 million a year, totaling $135 million over the 2012-2021 period.

USCIS currently charges fees totaling about $1,000 to register each selected applicant as a permanent U.S. resident. CBO estimates that CIS collects and spends about $50 million annually in fees from diversity immigrants—a small fraction of more than $2 billion in fees the agency collects and spends each year to administer programs relating to the entry of aliens. CBO estimates that eliminating the diversity visa program would reduce fee collections by about $50 million annually, but that direct spending also would decline by an equivalent amount; thus, enacting the bill would have no significant effect on net direct spending for USCIS.

Spending Subject to Appropriation

Pell Grants. Using data from the Congressional Research Service and the Department of Education, CBO projects that H.R. 704 would reduce the number of students eligible for Pell grants and student loans by a total that grows from several hundred students in fiscal year 2013 to several thousand students in fiscal year 2021. The bulk of funding for Pell grants is discretionary. Assuming appropriations are reduced by the estimated amounts and a maximum discretionary award level of $4,860 as in the most recently enacted appropriations act, CBO estimates the bill would reduce discretionary costs by $9 million over the 2012-2016 period, and $30 million over the 2012-2021 period.

Offsetting Collections. The visa-lottery winners (discussed above) also must pay a $440 processing fee to the Department of State. That processing fee generates about $24 million a year in offsetting collections, which are a credit against discretionary spending. Implementing the bill would lower collections by the Department of State, but spending also would decline by the amount of forgone collections; thus, there would be no significant effect on discretionary spending for the Department of State.

PAY-AS-YOU-GO CONSIDERATIONS

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays and revenues that are subject to those pay-as-you-go procedures are shown in the following table. Only on-budget changes to outlays or revenues are subject to pay-as-you-go procedures.

CBO Estimate of Pay-As-You-Go Effects for H.R. 704, the Security and Fairness Enhancement for America Act of 2011, as ordered reported by the House Committee on the Judiciary on July 21, 2011

	By Fiscal Year, in Millions of Dollars											
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012-2016	2012-2021
NET INCREASE OR DECREASE (-) IN THE ON-BUDGET DEFICIT												
Statutory Pay-As-You-Go Impact	0	9	-7	-28	-50	-76	-126	-196	-273	-360	-76	-1,107
Memorandum:												
Change in Outlays	0	-6	-22	-43	-65	-91	-141	-211	-288	-375	-136	-1,242
Change in Revenues	0	-15	-15	-15	-15	-15	-15	-15	-15	-15	-60	-135

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 704 contains no intergovernmental or private-sector mandates as defined in UMRA. The bill would reduce the number of legal permanent residents eligible for Medicaid assistance. Since a portion of Medicaid is paid for by state governments, CBO estimates that state spending on the program would decline by about $750 million over the 2012-2021 period. The bill contains no private-sector mandates.

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